



WSSC Annual Strategic Performance Report FY 2014

Message from the General Manager / Chief Executive Officer

At WSSC, we are committed to providing our customers with safe and reliable water that sustains a high quality of life. We are therefore proud to share the Washington Suburban Sanitary Commission's (WSSC) fourth Annual Strategic Performance Report with our customers and other stakeholders. This Performance Report highlights our progress during the 2014 fiscal year (FY) including our successes and our opportunities for improvement. The report also provides a focus on our eight strategic priorities and how we have performed in key areas over Fiscal Years 2012-2014.

Transforming the Way We Do Business

To continue to meet customer needs today and in the future, we are transforming the way we do business. Several multi-year initiatives are underway across WSSC to improve our infrastructure, customer service, supply chain, and information technology.

- WSSC was once again able to exceed our goals for repair, rehabilitation or replacement of our critical infrastructure. In FY 2014, we invested over \$220 million to aggressively improve our aging infrastructure. Despite challenges in obtaining the necessary construction permits, we continue to push forward to ensure future generations have access to safe, clean, and reliable water.
- Although we did not achieve all of our customer service goals, we completed major milestones to evaluate and realign our Customer Contact Center to provide world-class service and operations to our customers.
- We are working on more than twenty-two (22) major technology projects across our enterprise that are designed to modernize and improve our business operations and provide ease of access to WSSC for all our customers and other stakeholders throughout the region.
- Our supply chain management transformation is well underway. In FY 2014, we began integrating best practices such as strategic sourcing and spend analytics to identify potential cost reductions.

Measuring our performance results based on our strategic priorities helps us become even better stewards of our resources. WSSC continually evaluates the way we do business by providing effective and efficient services to our community. All of our improvements and accomplishments reflect the hard work and dedication of WSSC's greatest asset – our employees.

Looking Ahead

In the fiscal years ahead, we expect to strengthen our customer service, outreach, and engagement. We are making significant investments to transform the way we do business through a culture of innovation, operational excellence, and sustainability to better serve our customers and our community. We continue to make great progress. We hope this report helps you understand more about our priorities and the improvements we are making to better serve you. As always, we welcome your feedback.

Jerry N. Johnson
General Manager / CEO

Performance Legend

◆ Positive Performance ◆ Mixed results ◆ Improvement Needed

WSSC's Overall FY 2014 Performance Summary

Shown below are our eight Strategic Priorities with an indicator summarizing overall FY 2014 performance. Throughout the report you will see examples of the performance objectives and outcomes which were measured in FY 2014. Our performance against individual objectives and measures varied. Not all are presented in this report.

- ◆ Financial Sustainability
- ◆ Infrastructure
- ◆ Customer Service
- ◆ Workforce Management
- ◆ Communications
- ◆ Environmental Stewardship
- ◆ Supply Chain Management and Supplier Diversity
- ◆ Security and Safety

ENSURING FINANCIAL SUSTAINABILITY

Practice sound financial stewardship ensuring delivery of the best quality water and wastewater treatment services to our customers at a reasonable cost, with affordable rates, and use of innovative ideas for minimizing rate increases.

Strategies/Initiatives:

The Commission recognizes the importance of making investments in our operations and our infrastructure to ensure we are able to serve our customers now and for future generations. In addition to increased infrastructure costs, we are experiencing customer trends of water conservation and flattened water production growth which place downward pressure on revenue; however, we remain committed to reducing the trajectory of rate increases for our customers. In FY 2014, we implemented several strategies for addressing long-term financial sustainability such as modification of our debt financing, examination of our customer billing structure, and advocacy about the need for more predictable revenues. We expect that in FY 2015 our efforts to expand financial assistance will benefit our customers who have difficulty paying their bills. We also expect that in FY 2015, finding cost savings and cost reduction through our supply chain initiative will become a way of doing business. Overall, we continued to maintain a strong position with our credit rating agencies and received positive support for our long-term financial planning.

| ENSURING FINANCIAL SUSTAINABILITY | FY12 | FY13 | FY14 | RESULTS |
|--|------|------|------|--|
| Financial Management Maintain AAA bond rating. | ◆ | ◆ | ◆ | In FY 2014, we again maintained our AAA Bond Rating, a positive indicator of WSSC's overall financial health that also reduces the cost of borrowing for the \$3.7 billion Capital Improvement Plan. |
| Improve revenue and expenditure forecasting ratios. | ◆ | ◆ | ◆ | The Commission ended FY 2014 with positive fiscal results. Actual revenues were 5% lower than our projections. However, this shortfall in revenues was offset by our overall expenses which were 11% lower than projected. These results are similar to previous fiscal years. |

SUSTAINING INFRASTRUCTURE

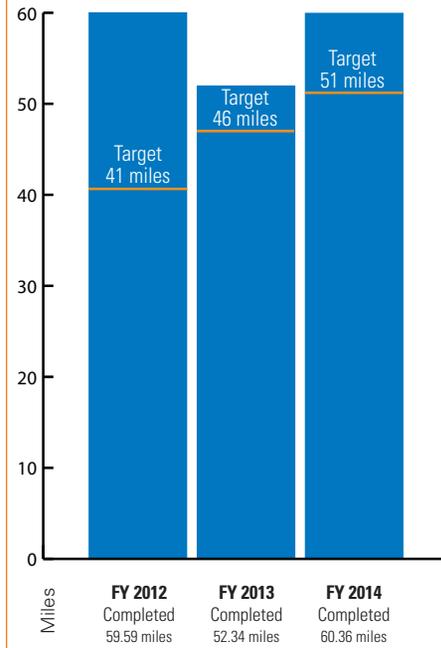
Plan, invest in, and renew our infrastructure to meet customer expectations through innovative, cost-effective technology and world-class asset management practices.

Strategies/Initiatives:

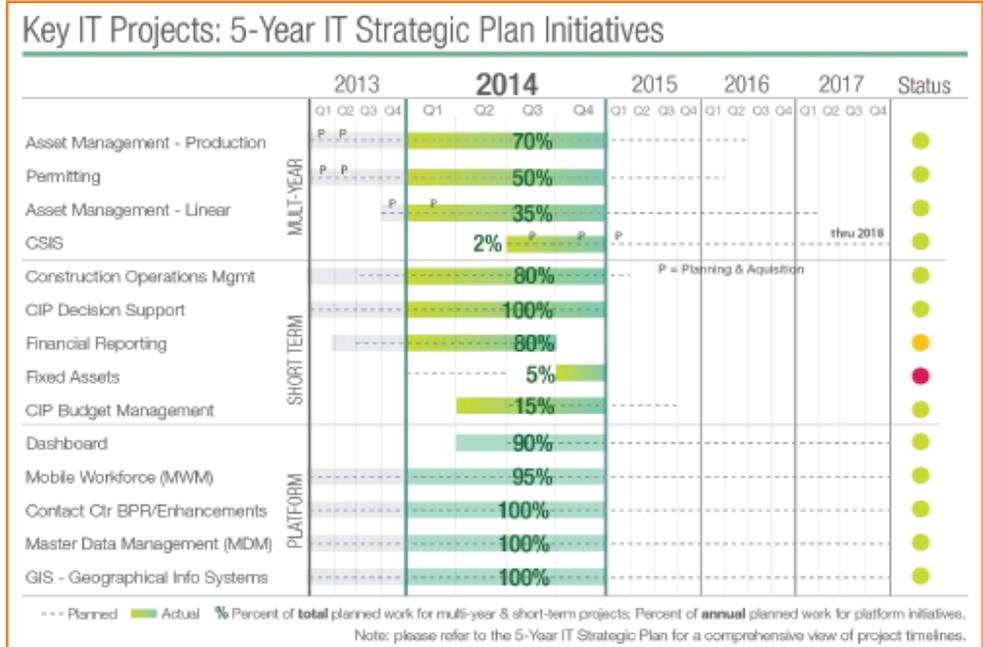
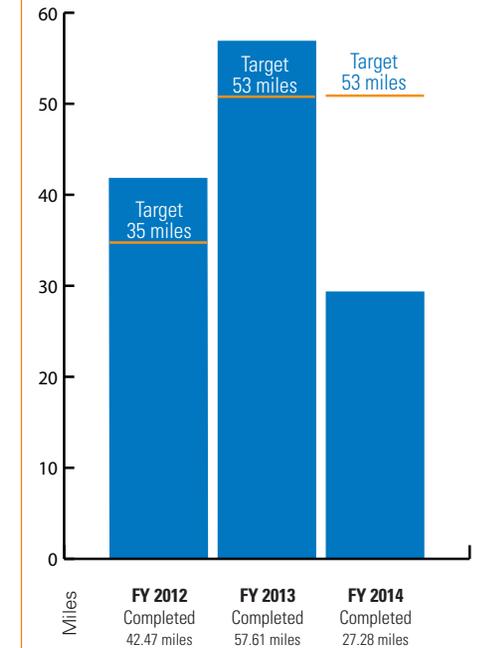
We continue to lead and execute a comprehensive asset management strategy which is designed to help us make better decisions. The strategy balances the levels of service our customers require, the cost of service, and acceptable levels of risk for our stakeholders. We are using key asset management practices such as assessing business risk exposure, linking asset management project validation to requests for capital improvement, coordinating asset management with strategic energy planning, and assessing the performance of our infrastructure based on five levels of service value statements for our customers. We also significantly increased the number of assets in our registry from over 175,000 to over 1 million. In FY 2014, we continued to aggressively repair, replace, and rehabilitate our water and sewer underground assets. We've taken multiple steps to address our consent decree obligation and to expedite the process, but despite our efforts we continue to experience challenges with the federal and state agencies responsible for issuing construction permits. On the technology front, the Commission continues to implement the 5-year IT Strategic Plan and is making progress to modernize a number of legacy systems and processes impacting our Customer Contact Center, Permits Services, Geographic Information Systems, Asset Management Systems, as well as other systems.

| SUSTAINING INFRASTRUCTURE | FY12 | FY13 | FY14 | RESULTS |
|---|------|------|------|---|
| Water Operations | | | | |
| Increase the number of water main miles reconstructed. | 🟢 | 🟢 | 🟢 | We exceeded our FY 2014 target of 51 miles by 18% completing 60.36 miles of water main. |
| Reduce the number of water main breaks and leaks per 100 miles of pipeline. | 🟢 | 🟢 | 🟢 | There were 35.45 water main breaks and leaks per 100 miles of pipeline, slightly better than the FY 2014 goal of no more than 36 water main breaks and leaks per 100 miles of pipe. |
| Wastewater Operations | | | | |
| Increase the number of sewer miles reconstructed or rehabilitated. | 🟢 | 🟢 | 🔴 | Due to the inability to obtain access and construction permits from other agencies, we missed our FY 2014 target of 53 miles of sewer line reconstructed or rehabilitated by 49%, completing only 27.28 miles of sewer. |
| Reduce the number of Sewer System Overflows (SSOs) per 100 miles of pipeline. | 🟡 | 🟢 | 🔴 | We missed our FY 2014 annual goal of incurring no more than 3.00 SSOs per 100 miles of pipeline by 7%. We experienced 3.22 SSOs per 100 miles. |
| Reduce the number of basement back-ups per 100 miles of pipeline. | 🔴 | 🔴 | 🔴 | We missed our FY 2014 annual target of 16 basement back-ups per 100 miles of pipeline by 13%. There were 18 back-ups per 100 miles. |
| IT Operations | | | | |
| Increase IT system reliability. | 🟢 | 🟢 | 🟢 | In FY 2014, we successfully completed the second year of our IT Strategic Plan. We met nearly all of the milestones under the plan, and delivered other system enhancements. Our progress has resulted in significant dividends including improved efficiency in licensing and permitting services, improved customer service, and improved communications for both ratepayers and our county stakeholders. |

Water Main Mileage Reconstructed



Sewer Main Reconstructed/Rehabilitated



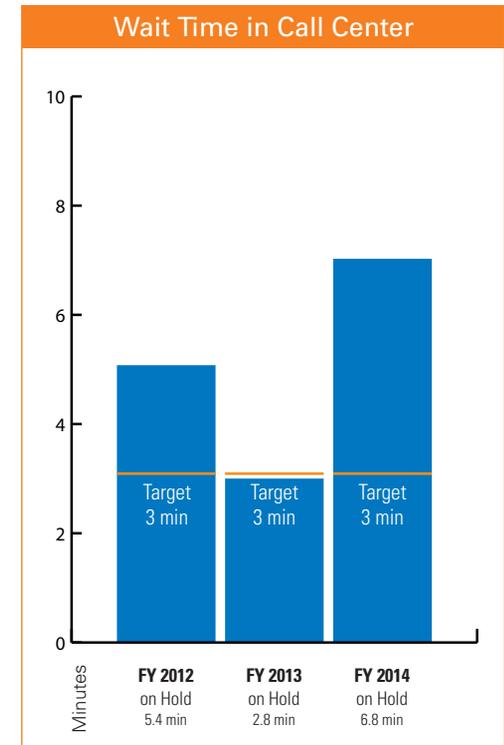
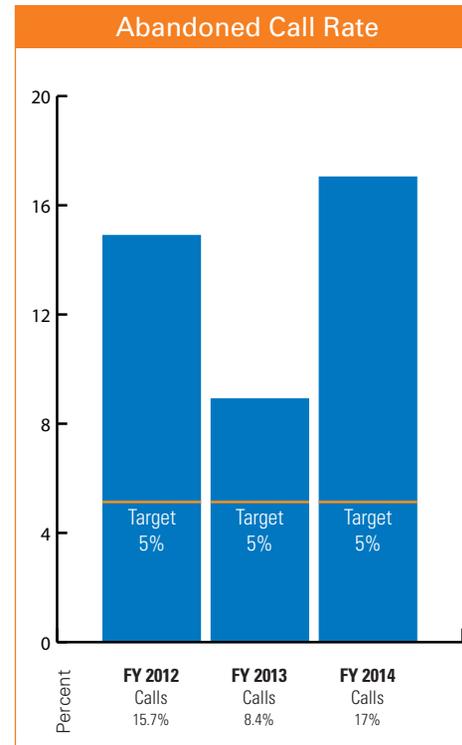
DELIVERING EXCELLENT CUSTOMER SERVICE

Ensure customer confidence through the delivery of timely, high quality products and services to internal and external customers.

Strategies/Initiatives:

The quality of our water is evident in our stellar record of having met or exceeded our federal and state drinking water requirements for over 95 years. We continue to strive towards providing high quality customer service to our customers as well. While we have not turned the corner on our performance within our Customer Contact Center, we have made progress with our evaluation of this important function. In FY 2014, we completed a comprehensive data driven analysis and evaluation of all the major components of WSSC's Customer Contact Center that resulted in recommendations for systemically improving our customers' experience. In FY 2015, we expect to begin implementing some of those recommendations including an organizational realignment and an extensive skill development initiative.

| DELIVERING EXCELLENT CUSTOMER SERVICE | FY12 | FY13 | FY14 | RESULTS |
|--|------|------|------|--|
| Customer Relations and Satisfaction Maintain high quality drinking water standards. | 🟢 | 🟢 | 🟢 | In FY 2014, our water filtration plants again met or exceeded federal and state Safe Drinking Water Act requirements 100% of the time. |
| Improve the abandoned call rate in our Customer Contact Center (callers that disconnect before speaking with a customer service agent in our Customer Contact Center). | 🔴 | 🔴 | 🔴 | In FY 2014, our monthly average abandoned call rate was 17%, exceeding our goal of 5% doubling the rate from the previous year (8.4%). |
| Improve our customers' "wait time" in Queue in our Contact Center. | 🔴 | 🟢 | 🔴 | In FY 2014, the length of time a caller was on hold before speaking to a representative averaged 6.8 minutes, which is more than twice our goal of 3 minutes. Our performance in this area fell short compared to our performance in FY 2013 of 2.8 minutes. |
| Improve our customers' "wait time" in the Bill Pay Queue in our Contact Center. | 🟢 | 🟢 | 🟢 | In FY 2014, our wait time in our Customer Contact Center Bill Pay Queue averaged 26 seconds. This performance was 57% better than our goal of 60 seconds but is a slight decline from FY 2013. |



OPTIMIZING WORKFORCE MANAGEMENT

Sustain a high-performing, diverse workplace that attracts and retains flexible and knowledgeable employees who promote service excellence and innovation.

Strategies/Initiatives:

We are proud of our employees for their commitment to WSSC's mission. From a recruitment perspective, our performance continues to improve. The amount of time required to fill positions within WSSC trended down in FY 2014. Technology improvements made in FY 2013 have led to a more streamlined and efficient hiring process and one that is substantially paperless. We filled 58 more positions in FY 2014 (211), compared to FY 2013 (153). In FY 2014, WSSC continued to improve overall leadership and employee development by launching its Stream Institute, a pipeline of diverse learning opportunities, designed to "stream" workforce talent development and training to leaders, managers, technical, and administrative professionals. A new learning management system was also launched and provides a more efficient method for enrolling, tracking, and evaluating training for our employees.



| OPTIMIZING WORKFORCE MANAGEMENT | FY12 | FY13 | FY14 | RESULTS |
|--|------|------|------|---|
| Our People and Our Workplace Improve WSSC hiring cycle time. | 🟡 | 🔴 | 🟢 | In FY 2014, the average time to recruit and hire new talent was 58 workdays. This average cycle time of 58 workdays was 3% less than our targeted 60 workdays. In addition, our 58 workdays represents a 23% improvement from our FY 2013 average of 75 days. |

ENHANCING COMMUNICATIONS AND STAKEHOLDER RELATIONSHIPS

Proactively communicate and sustain relationships and strategic partnerships with our community, key stakeholders and jurisdictions in support of our mission and our future success.

Strategies/Initiatives:

Our presence and interactivity with our customers through social media is growing. We are reaching more customers every day through social media such as FaceBook and Twitter. Our "likes" and "followers" more than doubled from FY 2013 as we continue to implement our social media strategy. Additional steps are slated for FY 2015. In an effort to increase communication and transparency, we provided the first live webcast of monthly Commission meetings in FY 2014. Meetings are live and customers can view them from their desktops or mobile devices. In FY 2014, the Commission faced and addressed several complex policy matters affecting our community including utility communications during water main breaks to safety issues surrounding our large-diameter water main infrastructure. Stakeholder input and feedback is important to us. We will launch our next customer survey in the fall of 2014 and look forward to hearing from our customers about their perceptions of our customer service and water quality.

| ENHANCING COMMUNICATIONS AND STAKEHOLDER RELATIONSHIPS | FY12 | FY13 | FY14 | RESULTS |
|---|---|---|---|---|
| Customer Communication and Stakeholder Relationships Increase effectiveness of communications with customers. |  |  |  | WSSC continues to provide our customers and stakeholders with a wide range of relevant information: <ul style="list-style-type: none"> • "How to do Business with WSSC" events build strong relationships with our supplier community. • We stress our role as environmental stewards in area classrooms, and through clean-up and educational events throughout the year. • Public education campaigns included efforts to "keep wipes out of the sewer pipes," and encourage customers to "Go Green" with online billing options. • We continue to play a key role providing up-to-the minute updates to the media and general public during emergency and crisis situations. |
| Increase involvement and partnering in our community. |  |  |  | We maintained our partnering by promoting WSSC involvement in the community and environmental education by conducting 247 outreach events in FY 2014. |

DEMONSTRATING ENVIRONMENTAL STEWARDSHIP

Practice safe and responsible stewardship of our water, air, and land through efficient and effective education, technology, and business practices.

Strategies/Initiatives:

Our commitment to protect our environment is evident every day from the work we do to protect the quality of our source waters, provide clean energy solutions, offer educational programming in local schools, and collaborate with our key environmental stakeholders. We continue to improve our use of clean energy and in FY 2014 we unveiled two solar power installations, through a public-private partnership, at two of our wastewater treatment plants. These two installations will provide four (4) megawatts of alternative energy. We expect our portfolio of energy-saving initiatives to continue to grow.

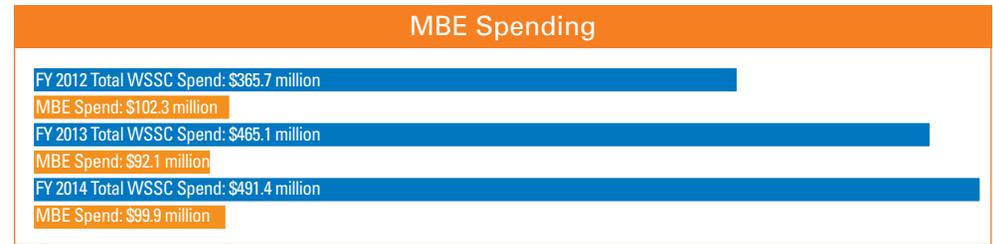
| DEMONSTRATING ENVIRONMENTAL STEWARDSHIP | FY12 | FY13 | FY14 | RESULTS |
|--|--|--|--|---|
| Conservation and Restoration Maintain compliance at our wastewater treatment plants. |  |  |  | In FY 2014, we achieved 99.97% compliance with our effluent discharge permits at our wastewater treatment plants. All of our wastewater treatment plants again received Platinum or Gold Peak Performance Awards for outstanding compliance records and environmental efforts during calendar year 2013. |
| Energy and Natural Resource Conservation Increase use of alternative energy sources. |  |  |  | In FY 2014, 26.2% of our energy usage was from wind - short of our target of 33%. However, this represents an improvement of 3.5% from FY 2013 and translates into about 27,784 metric tons of CO2 reductions which, according to the USEPA, is equivalent to removing approximately 5,849 passenger vehicles from the road for one year. |

INTEGRATING SUPPLY CHAIN MANAGEMENT AND SUPPLIER DIVERSITY

Ensure operational efficiency and reliable service to customers, suppliers, and all stakeholders through transparent, equitable, and responsible procurement practices that involve, inform, and reflect the community we serve.

Strategies/Initiatives:

In FY 2014, we initiated an aggressive transformation of WSSC's supply chain which is designed to drive down WSSC's cost of doing business. Activities included launching Strategic Sourcing Teams (SST) to incorporate strategic sourcing best practices and negotiations management into our procurement process, thereby improving our procurement efficiencies; identifying supply chain risks; improving our contract administration; and monitoring cost reduction and cost avoidance in the procurement of goods and services within our supply chain. Through June 2014, our return on investment (ROI) of the transformation stands at better than 400%. As we begin to see results of our strategic sourcing efforts, we expect an even greater ROI. On the supplier diversity front WSSC's spending (MBE payments) with minority business enterprise suppliers increased by over 8% in FY 2014. Awards, a lead indicator, also increased in FY 2014. While we did not meet our aspirational spend goal of 26% with MBEs, we continue to expand our marketplace by attracting new firms to do business with us and we anticipate greater spend to MBEs in FY 2015.



| INTEGRATING SUPPLY CHAIN MANAGEMENT & SUPPLIER DIVERSITY | FY12 | FY13 | FY14 | RESULTS |
|---|------|------|------|--|
| Procurement and SLMBE Improve Minority Business Enterprise (MBE) Payments Percentage. | 🟢 | 🟡 | 🟡 | In FY 2014, the Commission spent \$99.9 million (20%) in total contract payments with M/WBE firms as compared to \$92.1 million (20%) in FY 2013. The FY 2014 level of spending was \$7.8 million more than FY 2013. |
| Improve Minority Business Enterprise (MBE) Awards Percentage. | 🟡 | 🟡 | 🟡 | In FY 2014, the Commission awarded \$42.3 million more to M/WBEs than in FY 2013 which amounted to \$228.5* million (23%) as opposed to \$186.3 million (25%) in FY 2013. WSSC's total contract award dollars of \$974.3 million increased by \$228 million dollars in comparison to the contract awards \$746.3 million in FY 2013. |
| Improve procurement process cycle time and enhance procurement practices. | 🟢 | 🟢 | 🟢 | In FY 2014, we continued to enhance our procurement practices by initiating our supply chain transformation including strategic sourcing and contract management training. We conducted 21 education/outreach sessions for suppliers including our signature "How to Do Business With WSSC" events. |
| Increase new registrants in WSSC's Centralized Bidders Registration System (CBR). | 🟢 | 🟢 | 🟢 | In FY 2014, we exceeded our target of 336 new registrants by 511 registrants. This represents 252% of our original target. |
| Increase new Minority Business Enterprise (SLMBE) registrants. | 🟢 | 🟡 | 🔴 | In FY 2014, we missed our target of 200 new SLMBE registrants by 117 or 58%. Total SLMBE registrants in our CBR at the end of FY 2014 were 733. |

ENSURING SECURITY AND SAFETY

Protect our people, our business, and our community through proactive planning, emergency preparedness and utilization of effective risk management.

Strategies/Initiatives:

The operational resiliency of our enterprise is critical to providing quality, uninterrupted service to our customers. In FY 2014 we completed our Commission-wide Vulnerability Assessment (VA) and also completed major milestones in our business continuity planning initiative. Both of these initiatives were launched in FY 2013 for ensuring continuity of operations and protecting our facilities and distribution system from natural and man-made disasters. From an employee perspective, we continued to focus on driver accountability and employee safety in FY 2014. WSSC's OSHA reportable accidents are consistently below the national average for the water and wastewater industry. As a result, WSSC was presented with the 2014 AWWA Wendell R. LaDue Safety Award for outstanding performance for our state of the art safety program. This award recognizes distinguished water utility safety programs.

| ENSURING SECURITY AND SAFETY | FY12 | FY13 | FY14 | RESULTS |
|--|------|------|------|--|
| Employee and Public Safety Improve employee health and safety. | 🟡 | 🟡 | 🟢 | OSHA reportable injuries decreased by more than 12% from FY 2013 to 2014. Since FY 2010, OSHA reportable injuries have decreased almost 23%. |



*The number used here is based on the audited, validated FY 2014 SLMBE Legislative Report. Performance Measurement System data may differ slightly due to the utilization of unaudited source data.